

**EARLY LEARNING
COALITION OF THE BIG
BEND REGION, INC.**

FINANCIAL STATEMENTS

June 30, 2022 and 2021

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Early Learning Coalition of the Big Bend Region, Inc. (a nonprofit organization) (the "Coalition"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Coalition as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibility for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Coalition's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of Florida Chapter 10.650, *Rules of the Auditor General*, and special audit guidance provided by the Division of Early Learning, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 30, 2023

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	\$ 1,809,478	\$ 2,071,579
Grants and contracts receivable	174,002	462,388
Due from providers	942,145	926,014
Unconditional promise to give	-	37,577
Prepaid expenses	340	9,734
Total current assets	2,925,965	3,507,292
Property and equipment, net		
	3,743	9,918
Total assets		
	\$ 2,929,708	\$ 3,517,210

LIABILITIES AND NET ASSETS

Current liabilities		
Direct child care services payable	\$ 1,397,666	\$ 2,202,213
Due to DEL	1,038,376	926,014
Accounts payable and accrued expenses	249,504	209,066
Total current liabilities	2,685,546	3,337,293
Net assets		
Without donor restrictions	244,162	142,340
With donor restrictions	-	37,577
Total net assets	244,162	179,917
Total liabilities and net assets		
	\$ 2,929,708	\$ 3,517,210

The accompanying notes to financial statements are an integral part of these financial statements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Grants and contracts	\$ 31,928,679	\$ -	\$ 31,928,679
Local match revenue	99,795	-	99,795
Other	39,016	-	39,016
Net assets released from time restriction	37,577	(37,577)	-
Total support and revenues	32,105,067	(37,577)	32,067,490
Expenses:			
Program services			
School Readiness and Related Child Care Services	23,451,631	-	23,451,631
Voluntary Pre-Kindergarten Services	6,019,257	-	6,019,257
Other Child Care Research and Support Programs	1,221,783	-	1,221,783
Total program expenses	30,692,671	-	30,692,671
General and administration	1,310,574	-	1,310,574
Total expenses	32,003,245	-	32,003,245
Increase in net assets	101,822	(37,577)	64,245
Net assets, beginning of year	142,340	37,577	179,917
Net assets, end of year	<u>\$ 244,162</u>	<u>\$ -</u>	<u>\$ 244,162</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Grants and contracts	\$ 28,514,912	\$ -	\$ 28,514,912
Local match revenue	217,683	37,577	255,260
Interest	782	-	782
Other	21,153	-	21,153
Net assets released from time restriction	37,577	(37,577)	-
Total support and revenues	28,792,107	-	28,792,107
Expenses:			
Program services			
School Readiness and Related Child Care Services	22,176,193	-	22,176,193
Voluntary Pre-Kindergarten Services	5,052,757	-	5,052,757
Other Child Care Research and Support Programs	111,097	-	111,097
Total program expenses	27,340,047	-	27,340,047
General and administration	1,693,408	-	1,693,408
Total expenses	29,033,455	-	29,033,455
Decrease in net assets	(241,348)	-	(241,348)
Net assets, beginning of year	383,688	37,577	421,265
Net assets, end of year	\$ 142,340	\$ 37,577	\$ 179,917

The accompanying notes to financial statements are an integral part of these financial statements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	School Readiness and Related Child Care Services	Voluntary Pre- Kindergarten Services	Other Child Care Research and Support Programs	Total Program Services	General and Administrative	Total
Salaries and benefits	\$ 1,493,004	\$ 19,929	\$ 365,175	\$ 1,878,108	\$ 862,408	\$ 2,740,516
Training and development	9,902	19	416	10,337	26,266	36,603
Professional services	709	-	-	709	62,470	63,179
Contracted services	21,009,487	5,996,412	69,222	27,075,121	118,993	27,194,114
Consulting	23,688	-	5,500	29,188	14,087	43,275
Occupancy	455,679	575	7,072	463,326	54,996	518,322
Advertising and public outreach	98,798	-	-	98,798	-	98,798
Supplies and materials	150,044	1,560	764,838	916,442	50,742	967,184
Technology maintenance	150,855	-	-	150,855	85,339	236,194
Office furniture and equipment	14,287	665	2,537	17,489	18,150	35,639
Travel	23,382	47	5,818	29,247	8,632	37,879
Depreciation	-	-	-	-	6,175	6,175
Printing and postage	18,271	50	1,205	19,526	2,316	21,842
Other miscellaneous	3,525	-	-	3,525	-	3,525
Total expenses	\$ 23,451,631	\$ 6,019,257	\$ 1,221,783	\$ 30,692,671	\$ 1,310,574	\$ 32,003,245

The accompanying notes to financial statements are an integral part of these financial statements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	School Readiness and Related Child Care Services	Voluntary Pre- Kindergarten Services	Other Child Care Research and Support Programs	Total Program Services	General and Administrative	Total
Salaries and benefits	\$ 1,412,339	\$ -	\$ -	\$ 1,412,339	\$ 1,244,119	\$ 2,656,458
Training and development	4,378	-	-	4,378	32,333	36,711
Professional services	774	-	-	774	84,404	85,178
Contracted services	19,217,386	5,021,972	110,147	24,349,505	31,285	24,380,790
Consulting	5,953	-	-	5,953	16,468	22,421
Occupancy	412,247	30,785	950	443,982	59,182	503,164
Advertising and public outreach	28,106	-	-	28,106	4,880	32,986
Supplies and materials	975,426	-	-	975,426	124,044	1,099,470
Technology maintenance	80,523	-	-	80,523	86,871	167,394
Office furniture and equipment	1,519	-	-	1,519	1,386	2,905
Travel	24,856	-	-	24,856	1,172	26,028
Depreciation	-	-	-	-	5,961	5,961
Printing and postage	3,852	-	-	3,852	1,303	5,155
Other miscellaneous	8,834	-	-	8,834	-	8,834
Total expenses	<u>\$ 22,176,193</u>	<u>\$ 5,052,757</u>	<u>\$ 111,097</u>	<u>\$ 27,340,047</u>	<u>\$ 1,693,408</u>	<u>\$ 29,033,455</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Cash received from grantors and contractors	\$ 32,329,427	\$ 29,541,940
Cash paid to employees and vendors	(32,767,916)	(29,720,466)
Interest received	-	782
Contributions and other receipts	176,388	276,413
Net cash provided by (used in) operating activities	(262,101)	98,669
 Net increase (decrease) in cash and cash equivalents	 (262,101)	 98,669
 Cash and cash equivalents, beginning of year	 <u>2,071,579</u>	 <u>1,972,910</u>
 Cash and cash equivalents, end of year	 <u>\$ 1,809,478</u>	 <u>\$ 2,071,579</u>
 Reconciliation of change in net assets to net cash provided by operating activities		
Increase (decrease) in net assets	\$ 64,245	\$ (241,348)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,175	5,961
Decrease (increase) in grants and contracts receivable	288,386	1,027,028
Increase in due from providers	(16,131)	(926,014)
Decrease in unconditional promises to give	37,577	-
Decrease in deferred revenue	-	(114,037)
Increase (decrease) in direct child care services payable	(804,547)	(268,634)
Increase (decrease) in accounts payable and accrued expenses	40,438	(309,299)
Increase in due to DEL	112,362	926,014
Decrease (increase) in prepaid expenses	9,394	(1,002)
 Total adjustments	 (326,346)	 340,017
 Net cash provided by (used in) operating activities	 <u>\$ (262,101)</u>	 <u>\$ 98,669</u>

The accompanying notes to financial statements are an integral part of these financial statements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of Early Learning Coalition of the Big Bend Region, Inc. (the "Coalition") which affect significant elements of the accompanying financial statements:

(a) **Coalition and Purpose**—Early Learning Coalition of the Big Bend Region, Inc. ("the Coalition") was established to prepare preschool children to enter kindergarten ready to learn, as measured by criteria established by the state of Florida. Under Florida Statute, Section 1002.83, the Coalition is required to develop and implement a plan for comprehensive, accessible, affordable, and high-quality early education and childcare services for children, birth to age five, in Leon, Gadsden, Jefferson, Liberty, Madison, Taylor, and Wakulla counties in the state of Florida. The Coalition is primarily supported by grants from the State of Florida passed through from the U.S. Department of Health and Human Services.

During the fiscal year ended June 30, 2022 and 2021, the Coalition operated the following programs:

School Readiness and Related Child Care Services (SR): This program provides financial assistance for childcare costs to families who meet the qualifying guidelines in order to assist children to become better prepared for the education experience or to provide childcare services for economically disadvantaged children or children requiring specific assistance as determined by the state of Florida.

Voluntary Pre-kindergarten Services (VPK): The VPK program is designed to promote in a classroom environment the development of each four-year-old child's physical, social, and emotional maturation. The program outcomes should result in children better prepared to be successful in the formal education process.

Other Child Care Research and Support Programs: These program services include: Leon County childcare tuition assistance program, family literacy programs for low-income families, and technical assistance programs to low performing providers.

The Coalition is governed by its twenty-one-member Board of Directors, of which nine are appointed under criteria established in Florida Statutes, Section 1002.83.

(b) **Property and Equipment**—Property and equipment acquired by the Coalition are considered to be owned by the Coalition. However, funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The Federal government has a reversionary interest in those assets purchased with its funds which have a cost of \$5,000 or more and an estimated useful life of at least one year. The State of Florida has a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more and an estimated useful life of at least one year.

Property and equipment with a value greater than \$5,000 and an estimated useful life of at least one year are recorded at cost when purchased or at estimated fair value when contributed. Depreciation is computed using the straight-line method over the estimated useful life of the assets, ranging from five to thirty-nine years. Repairs and maintenance, which are not considered improvements and do not extend the useful life of the property and equipment, are expensed as incurred.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(1) Summary of Significant Accounting Policies: (continued)

(c) **Income Taxes**—The Coalition is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Coalition files income tax returns in the U.S. Federal jurisdiction. The Coalition's income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

The Coalition has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements.

(d) **Cash and Cash Equivalents**—For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits and short-term investments with original maturities of 90 days or less. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Coalition has not experienced any losses in such accounts.

The Coalition has a zero-balance account (ZBA) agreement with the financial institution in which funds are maintained in an interest bearing account and are transferred into the demand deposit accounts as needed. Interest earned on the funds in the ZBA account was less than 1% at June 30, 2022 and 2021.

(e) **Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) **Basis of Accounting**—The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(g) **Basis of Presentation**—Under accounting principles generally accepted in the United States of America, the Coalition is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

(h) **Net Assets**—Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. All other donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions that are restricted by the donor are reported as an increase in assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(1) Summary of Significant Accounting Policies: (continued)

(i) **Functional Allocation of Expenses**—The costs of providing the various services and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) **Accrued Leave**—The Coalition compensates its eligible employees for unused vacation leave upon termination of employment. Vacation leave is accrued as earned by eligible employees and recorded as an expense in the period earned.

(k) **Advertising**—Advertising costs are charged to operations as incurred. For those years ended June 30, 2022 and 2021, \$98,798 and \$32,986 was incurred, respectively.

(l) **Grants and Contracts Receivable**—Grants and contracts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the history with grantors and contractors having outstanding balances and current relationships with them. An allowance for uncollectible grant receivables has not been recorded as all amounts are deemed by management to be collectible.

(m) **Deferred Revenue**—The Coalition records grant/contract receipts as deferred revenue until it is expended for the purpose of the grant/contract, at which time it is recognized as revenue.

(n) **Revenue Recognition**—The Coalition receives all of its grant and contract revenue from Federal, State and local agencies. The Coalition recognizes grant/contract revenue (up to the contract ceiling) from its grants/contracts over a period which represents the service period for certain grants/contracts, or to the extent of expenses. Revenue recognition depends on the grant/contract.

In May 2014, the Financial Accounting Standards board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (ASC 606), which prescribes a single, common revenue standard to replace most existing revenue recognition guidance, including most industry-specific requirements. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC 958), which clarified how transactions should be accounted for as contributions (nonreciprocal transactions) or exchange transactions and whether a contribution is conditional.

The Coalition adopted ASC 606 and ASC 958 and all related amendments effective July 1, 2019. The adoption had no significant impact on the Coalition's financial statements.

(2) Significant Funding Sources:

The Coalition and its related programs receive substantial support from federal and state governments. If a significant reduction in the level of this support occurs, it may have an effect on the Coalition's programs and activities. For the year ended June 30, 2022, 80% of the Coalition's revenues and support was from the Federal government passed through the Division of Early Learning (DEL). In addition, for the year ended June 30, 2022, 20% of the Coalition's revenues and support were from DEL through state financial assistance and matching funds. Revenue and support from the Federal government passed through DEL was 82% for the year ended June 30, 2021 and 18% from state financial assistance and matching funds for the year ended June 30, 2021.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(3) Concentrations of Credit Risk:

The more significant concentrations of credit risk are as follows:

(a) **Demand Deposits**—The Coalition maintains demand deposits with one bank. The Coalition has no policy requiring collateral, although all demand deposits with the bank are Federally insured up to FDIC limits.

(b) **Grants and Contracts Receivable**—The Coalition's grants and contracts receivable are for amounts due under grants/contracts with the State of Florida and Federal government agencies. The Coalition has no policy requiring collateral or other security to support its grants and contracts receivable.

(c) **Unconditional Promises to Give**—Financial instruments that potentially subject the Coalition to concentrations of credit risk include unconditional promises to give. The unconditional promises to give are from donors.

(4) Retirement Plan:

The Coalition participates in a voluntary deferred profit sharing plan 401(k) for its employees. Employees are eligible for participation in the plan three months following their date of employment. Employees become eligible for employer contributions to the plan after one year (designated in the plan as 800 hours) of employment. Contributions by the Coalition to the plan are based on a percentage of employee salaries and vest 100% to employees after two years of plan participation. Expenses under this plan were \$90,117 and \$104,525 during the year ended June 30, 2022 and 2021, respectively.

(5) Property and Equipment:

The following is a summary of property and equipment at June 30, 2022 and 2021:

	2022	2021
Office furniture	\$ 18,671	\$ 18,671
Office and computer equipment	128,506	128,506
Software and licenses	104,337	104,337
	251,514	251,514
Less: Accumulated depreciation	(247,771)	(241,596)
Total	\$ 3,743	\$ 9,918

(6) Operating Leases:

The Coalition has entered into various operating leases for office space and equipment. The following is a schedule of future minimum lease payments required under these lease agreements:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 382,482
2024	361,800
2025	361,800
2026	361,800
2027	361,800
Thereafter	90,450
Total	\$ 1,920,132

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(7) Matching Requirements:

The Coalition's funding grant from the state of Florida includes a provision requiring a local match for the direct childcare service program operated in its seven county regions. Except for Leon County, Florida, the Coalition can request annual waivers of the match requirement for the remaining six rural counties served that demonstrate significant hardship in meeting the match requirement.

(8) Contributed Non-Financial Assets:

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. The Coalition adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the Coalition's financial statements.

Consulting and other non-cash donations are recorded at either estimated fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed assets must be used, the Coalition has adopted a policy of not implying a time restriction on contributions of such assets. There were no such donations for the years ended June 30, 2022 and 2021, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Coalition with specific childcare service programs. The Coalition tracks their time and then estimates the value of these donated services, which are not reflected in the financial statements, as they do not meet the recognition criteria pursuant to professional standards.

(9) Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Coalition expects such amounts, if any, to be immaterial.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global pandemic situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

(10) Unconditional Promises to Give:

The Coalition had unconditional promises to give representing the following at June 30:

	2022	2021
United Way	\$ -	\$ 37,577

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(11) Related Party Transactions:

The Coalition has certain board members who are also providers of VPK and SR services. The Coalition paid these vendors \$213,957 and \$125,583 for the year ended June 30, 2022 and 2021, respectively. All payments were in the normal course of business. At June 30, 2022 and 2021, \$26,411 and \$20,730 was due to related parties, respectively.

(12) Recently issued accounting pronouncements:

The Coalition has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Coalition's reported financial position or operations in the near term.

In February 2016, the FASB issued ASU 2016-02, *Leases*, that requires lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. For lessors, the guidance modifies the classification criteria for accounting for sales-type and direct financing leases. The new guidance is effective for fiscal years beginning after December 15, 2021. The Coalition is evaluating the potential effects ASU 2016-02 will have on its financial statements.

(13) Net Assets with Donor Restrictions:

At June 30, 2022 and 2021, net assets with time restrictions included \$0 and \$37,577, respectively, of an unconditional promise to give receivable.

(14) Subsequent Events:

The Coalition has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 30, 2023, the date which the financial statements were available to be issued.

(15) Liquidity and Availability:

The Coalition strives to maintain liquid financial assets sufficient to cover general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 1,809,478	\$ 2,071,579
Grants and contracts receivable	174,002	462,388
Unconditional promise to give	-	37,577
Total	\$ 1,983,480	\$ 2,571,544

SUPPLEMENTAL INFORMATION

Early Learning Coalition of the Big Bend Region, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2022

Federal Grantor/State Grantor/Pass Through Grantor Program Title	Federal ALN	State CFSA Number	Pass-through Entity Identifying Contract Number	Expenditures
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Passed through State of Florida Department of Education Division of Early Learning				
Child Care and Development Block Grant	93.575	-	EL042	\$ 9,646,722
Coronavirus Response and Relief Supplemental Appropriations Funds	93.575	-	EL042	5,186,891
American Rescue Plan Act	93.575	-	EL042	2,734,279
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	-	EL042	<u>4,615,473</u>
			Total CCDF cluster	22,183,365
Temporary Assistance for Needy Families	93.558	-	EL042	3,203,541
Preschool Development Grant	93.434	-	EL042	190,094
Social Services Block Grant	93.667	-	EL042	<u>13,224</u>
Total U.S. Department of Health and Human Services				<u>25,590,224</u>
U.S. Department of Education				
Passed through State of Florida's Division of Early Learning				
Education Stabilization Fund	84.425D	-	EL042	<u>76,104</u>
Total U.S. Department of Education				<u>76,104</u>
Total Expenditures of Federal Awards				<u>\$ 25,666,328</u>
STATE FINANCIAL ASSISTANCE				
Florida Department of Education Division of Early Learning				
Voluntary Pre-Kindergarten Education Program	-	48.108	EL042	\$ <u>6,229,913</u>
Total Expenditures of State Financial Assistance				<u>\$ 6,229,913</u>
Total Expenditures of Federal Awards and State Financial Assistance				<u>\$ 31,896,241</u>

See independent auditor's report.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the Federal awards and State financial assistance activity of Early Learning Coalition of the Big Bend Region, Inc. under programs of the federal and state government for the year ended June 30, 2022 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the State of Florida Auditor General* and the Department of Financial Services' State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No amounts were passed through to subrecipients during the year ended June 30, 2022.

Note 3. De Minimis Indirect Cost Rate Election

Early Learning Coalition of the Big Bend Region, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Early Learning Coalition of the Big Bend Region, Inc. (the "Coalition") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Early Learning Coalition of the Big Bend Region, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Coalition's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Coalition's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Coalition's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 30, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF FLORIDA CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Early Learning Coalition of the Big Bend Region, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Early Learning Coalition of the Big Bend Region, Inc.'s (the "Coalition") major federal programs and state projects for the year ended June 30, 2022. Early Learning Coalition of the Big Bend Region, Inc.'s major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Coalition and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Coalition's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Coalition's federal programs and state projects.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Coalition's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Coalition's compliance with the requirements of each major federal program and state project, as a whole.

Auditor's Responsibilities for the Audit of Compliance (continued)

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Coalition's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Coalition's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Coalition's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Coalition's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 30, 2023

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| 3. Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | Yes |
| 4. Dollar threshold used to distinguish between Type A and Type B programs | \$769,990 |
| 5. Auditee qualified as low-risk auditee? | No |

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Temporary Assistance for Needy Families	93.558

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I – Summary of Auditor’s Results (continued)

State Financial Assistance

1. Type of auditor’s report issued on compliance for major projects:	Unmodified
2. Internal control over major projects:	
a. Material weakness(es) identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	None reported
3. Audit findings disclosed that are required to be reported in accordance with the Florida Single Audit Act and Chapter 10.650, <i>Rules of the Auditor General</i>	Yes
4. Dollar threshold used to distinguish between Type A and Type B projects	\$750,000
Identification of major projects:	
<u>Name of State Project</u>	<u>CSFA Number</u>
Voluntary Pre-Kindergarten	48.108

Section II – Enhanced Fields System (EFS) monthly reconciliation

1. EFS reconciled monthly	Yes
2. Processes in place to identify and correct errors during monthly reconciliations to EFS	Yes
3. Coalition’s financial records reconcile and agree to EFS records as of program year ended June 30, 2022	Yes
4. Audit work papers documenting verification of reconciliations available to DEL staff	Yes

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section III – Financial Statement Findings

Finding 2022-001 Repeat of PY 2021-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger. Significant outstanding items at year end had been received during the year.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations on a monthly basis to ensure balances agree to general ledger.

Finding 2022-002: Expense and Accounts Payable Reconciliations

Criteria: Accounts payable and expenses are to be recognized as incurred in. Subsequent clearing of accounts payable should occur upon payment of funds to vendor or provider. Expenses and accounts payable should be reconciled on a monthly basis to ensure payment of expenses are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts payable at the beginning of the engagement causing improper account balances related to accounts payable and cash.

Cause: Lack of effective controls surrounding accounts payable and expense.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts payable, expense, and cash accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts payable reporting.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section IV – Federal Award and State Projects Findings and Questioned Costs

Finding 2022-003 Repeat of PY 2021-003: Timely Remittance of Payment

Federal Programs: ALN 93.575/93.596

Criteria: The Coalition is required to make payments to providers within 21 days of receipt of invoice, and approval of goods and services as required by the grant agreement with Florida's Division of Early Learning.

Condition: Certain payments from the Coalition to providers related to CRRSA/ARPA funding during the year were in excess of the 21 day requirement.

Cause: The Coalition experienced turnover in the accounting department during the year, and there was a misunderstanding regarding the payment requirements per the grant guidance.

Effect: Past due payments result in noncompliance with grant and provider agreements.

Recommendation: We recommend that the Coalition take proactive measures to monitor and ensure that all provider invoices will be paid in a timely manner.

Finding 2022-004: Expenditure Targets

Federal Programs: ALN 93.575, 93.596, 97.558

Criteria: Per EL042 Grant Agreement with DEL, the Coalition is subject to specific expenditure targets for the program as follows:

- The ELC shall keep costs to the minimum necessary to efficiently and effectively administer the SR Program. No more than five percent of all state, federal, and local matching funds expended by the ELC for the SR Program shall be expended for administrative activities.

Condition: During our testing of the allocation of expenditures by cost type for the SR Program, we noted the following exceptions:

- Total SR Program funds expended for administrative activities totaled 5.30% exceeding the 5% maximum.

Cause: The Coalition experienced high management turnover during the year which resulted in multiple CFOs and accounting staff which lead to excess administrative costs.

Effect: The allocation of expenditures was not compliant with the expenditure target defined in the criteria above, therefore DEL has the potential to recover the unallowable expenditures at its discretion.

Questioned Costs: The Coalition did not meet the requirement per DEL, and therefore may have questioned costs of approximately \$57,000, which was calculated as the total SR Program administrative activities exceeding the 5% maximum.

Recommendation: We recommend that management take proactive measures to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

Section V – Status of Prior Year Audit Findings

Finding 2021-001 Repeat of PY 2020-001: Segregation of Duties and Approval of Disbursements

Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

Condition: As a result of our audit procedures, we noted in our test of 40 disbursements, 11 items lacked the required dual signatures on purchases orders over \$5,000.

Cause: Management override of internal controls.

Effect: Misstatement or errors or irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all disbursements have been properly reviewed and authorized by management prior to payment.

Resolution: Resolved. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO. As a result, the finding has been addressed and corrective action has been taken by the Coalition.

Finding 2021-002 Repeat of PY 2020-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger. Significant outstanding items at year end had been received during the year.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations on a monthly basis to ensure balances agree to general ledger.

Resolution: Unresolved, see current year finding 2022-001. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO.

EARLY LEARNING COALITION OF THE BIG BEND REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

Section V – Status of Prior Year Audit Findings (continued)

Finding 2021-003: Timely Remittance of Payment

Federal Programs: ALN 93.575/93.596

Criteria: The Coalition is required to make payments to providers within 21 days of receipt of invoice, and approval of goods and services as required by the grant agreement with Florida's Division of Early Learning.

Condition: Certain payments from the Coalition to providers related to CARES Act funding during the year were in excess of the 21 day requirement.

Cause: The Coalition experienced high management turnover during the year, and there was a misunderstanding regarding the payment requirements per the grant guidance.

Effect: Past due payments result in noncompliance with grant and provider agreements.

Recommendation: We recommend that the Coalition take proactive measures to monitor and ensure that all provider invoices will be paid in a timely manner.

Resolution: Unresolved, see current year finding 2022-003. The Coalition replaced the Chief Executive Officer and the Chief Financial Officer with experienced and qualified individuals. The Coalition revised all financial and accounting process and procedures with the new CFO. As a result, the finding has been addressed and corrective action has been taken by the Coalition.

Finding 2021-004: Expenditure Targets

State Projects: CFSA 48.108

Criteria: Per EL041 Grant Agreement with DEL, the Coalition is subject to specific expenditure targets for the program as follows:

- The ELC shall keep costs to the minimum necessary to efficiently and effectively administer the VPK Program. The ELC may expend no more than 4 percent of the funds paid by the ELC to private prekindergarten and public schools for VPK administrative costs. The ELC may use such funds only for administering the VPK Program and not for SR or other programs.

Condition: During our testing of the allocation of expenditures by cost type for the VPK Program, we noted the following exceptions:

- Total VPK Program funds expended for administrative activities totaled 4.04% exceeding the 4% maximum.

Cause: The Coalition experienced high management turnover during the year which resulted in multiple CFOs and accounting staff which lead to excess administrative costs.

Effect: The allocation of expenditures was not compliant with the expenditure target defined in the criteria above, therefore DEL has the potential to recover the unallowable expenditures at its discretion.

Questioned Costs: The Coalition did not meet the requirement per DEL, and therefore may have questioned costs of approximately \$1,800, which was calculated as the total VPK Program administrative activities exceeding the 4% maximum.

Resolution: Resolved. The Coalition's administrative activities for fiscal year 2022 were in compliance with the 4% maximum administrative requirements.



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MANAGEMENT LETTER

To the Board of Directors of
Early Learning Coalition of the Big Bend Region, Inc.
Tallahassee, Florida

Report on the Financial Statements

We have audited the financial statements of the Early Learning Coalition of the Big Bend Region, Inc., as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated March 30, 2023.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 30, 2023, should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we disclosed material weaknesses and grant agreement noncompliance findings which are disclosed in Section IV of the Schedule of Findings and Questioned Costs.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 30, 2023



Chief Executive Officer

Lizbeth L. Murphy

Executive Committee

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Acting Chair

Miatta Jalaber
Vice Chair, Secretary

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Ryan Poole

Sarah Gosselin

Stacey Dugger



Section III – Financial Statement Findings

Finding 2022-001 Repeat of PY 2021-002: Bank Reconciliations

Criteria: Bank reconciliations should reconcile to the general ledger and be reviewed for any significant outstanding items.

Condition: Bank reconciliations do not reconcile to the general ledger. Significant outstanding items at year end had been received during the year.

Cause: Lack of effective controls surrounding bank reconciling process.

Effect: Errors or fraud may occur and not be detected on a timely basis.

Recommendation: We recommend management review bank reconciliations on a monthly basis to ensure balances agree to general ledger.

Corrective Action Plan: Management will make sure that bank reconciliations are completed monthly. Reconciliations will be reviewed and approved with supporting documentation for accuracy and timeliness.

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: March 30, 2023

Finding 2022-002: Expense and Accounts Payable Reconciliations

Criteria: Accounts payable and expenses are to be recognized as incurred in. Subsequent clearing of accounts payable should occur upon payment of funds to vendor or provider. Expenses and accounts payable should be reconciled on a monthly basis to ensure payment of expenses are properly recorded.

Condition: As a result of our audit procedures, we noted incorrect recognition and clearing of accounts payable at the beginning of the engagement causing improper account balances related to accounts payable and cash.

Cause: Lack of effective controls surrounding accounts payable and expense.

Effect: Misstatement, errors, and irregularities in the financial statements.

Recommendation: We recommend the Coalition implement procedures to ensure that all accounts payable, expense, and cash accounts are reconciled on a monthly basis and the use of the accounting software is correctly utilized for accounts payable reporting.

Corrective Action Plan: Management will make sure that accounts payable reconciliations are completed monthly. Reconciliations will be reviewed and approved with supporting documentation for accuracy and timeliness.

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: March 30, 2023

IV – Federal Award and State Projects Findings and Questioned Costs

Finding 2022-003 Repeat of PY 2021-003: Timely Remittance of Payment

Federal Programs: ALN 93.575/93.596



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Criteria: The Coalition is required to make payments to providers within 21 days of receipt of invoice, and approval of goods and services as required by the grant agreement with Florida's Division of Early Learning.

Condition: Certain payments from the Coalition to providers related to CRRSA / ARPA Act funding during the year were in excess of the 21 day requirement.

Cause: The Coalition experienced high management turnover during the year, and there was a misunderstanding regarding the payment requirements per the grant guidance.

Effect: Past due payments result in noncompliance with grant and provider agreements.

Recommendation: We recommend that the Coalition take proactive measures to monitor and ensure that all provider invoices will be paid in a timely manner.

Corrective Action Plan: ELC Management will make sure that measures are in place to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

Responsible Party: Felicia Milton, CFO

Anticipated Completion Date: March 30, 2023

Finding 2022-004: Expenditure Targets

Federal Programs: ALN 93.575, 93.596, 97.558

Criteria: Per EL042 Grant Agreement with DEL, the Coalition is subject to specific expenditure targets for the program as follows:

- The ELC shall keep costs to the minimum necessary to efficiently and effectively administer the SR Program. No more than five percent of all state, federal, and local matching funds expended by the ELC for the SR Program shall be expended for administrative activities.

Condition: During our testing of the allocation of expenditures by cost type for the SR Program, we noted the following exceptions:

- Total SR Program funds expended for administrative activities totaled 5.30% exceeding the 5% maximum.

Cause: The Coalition experienced high management turnover during the year which resulted in multiple CFOs and accounting staff which lead to excess administrative costs.

Effect: The allocation of expenditures was not compliant with the expenditure target defined in the criteria above, therefore DEL has the potential to recover the unallowable expenditures at its discretion.

Questioned Costs: The Coalition did not meet the requirement per DEL, and therefore may have questioned costs of approximately \$57,000, which was calculated as the total VPK Program administrative activities exceeding the 5% maximum.

Recommendation: We recommend that management take proactive measures to monitor and ensure that the Coalition will remain in compliance with statutory requirements.

Finding 2021-004: Expenditure Targets (Continued)

Corrective Action Plan: ELC Management will make sure that measures are in place to monitor and ensure that the Coalition will remain in compliance with grantor administrative expense requirements.

Responsible Party: Felicia Milton CFO

Anticipated Completion Date: March 30, 2023